

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4150 / July 29, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16707**

**In the Matter of**

**STEPHEN M. COLEMAN**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stephen M. Coleman (“Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over him and the subject matter of these proceedings and the findings contained in Sections III.5, III.6, and III.7 below, and consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. Coleman, age 59, is a resident of Chicago, Illinois. Coleman is the founder and Chief Investment Officer of Daedalus Capital, LLC ("Daedalus"), a Missouri limited liability company through which he sold securities. Daedalus' registration with the Commission as an Investment Adviser was approved November 1, 1994 and cancelled February 14, 2011. Daedalus is not currently registered with the Commission. Coleman has never been registered with the Commission, but from at least March 15, 1999 to December 31, 2009, he was registered as an Investment Adviser Representative in Missouri.

2. On January 30, 2009, the State of Missouri Office of Secretary of State Securities Division entered a Final Order to Cease and Desist and Order Imposing Civil Penalties and Costs as to All Respondents in the Matter of Stephen M. Coleman, Daedalus Capital, LLC, Chicken Little Fund Group, Daedalus ALPHA Inc., and ALPHA Strategy Fund, L.P., Case No. AP-07-41 ("Missouri Cease and Desist Order"). The Missouri Cease and Desist Order made final an October 25, 2007, State of Missouri Office of Secretary of State Securities Division Order to Cease and Desist, as amended August 27, 2008, which prohibited Coleman and Daedalus from offering and selling unregistered securities within the State of Missouri.

3. On May 21, 2012, the Nineteenth Judicial Circuit, State of Missouri Circuit Judge Division entered a Final Order and Judgment in *State of Missouri v. Daedalus Capital, L.L.C. and Stephen M. Coleman*, Case No. 10AC-CC00215 ("Missouri Court Order"), finding that, in violation of the Missouri Cease and Desist Order, Coleman and Daedalus offered and sold unregistered securities that were not exempt from registration, that they offered and sold securities without disclosing the use of the proceeds for the investment or the fact that their offer and sale violated the Missouri Cease and Desist Order, and that Coleman transacted business as an investment adviser representative in Missouri without registering as required.

4. The Missouri Court Order enjoined Coleman from offering or selling unregistered, nonexempt securities in Missouri, transacting business as an investment adviser representative in Missouri without registering or being exempt from registration, and omitting to disclose any material fact necessary in order to make a statement made, in light of the circumstances under which it is made, not misleading in connection with the offer or sale of any security in Missouri.

5. On March 4, 2015, Coleman consented to an order issued by the State of Illinois Secretary of State Securities Department in In the Matter of Daedalus Capital, LLC and Stephen M. Coleman, No. 1200150 ("Illinois Consent Order"), prohibiting Coleman and Daedalus from: (1) offering the sale of securities in or from the State of Illinois; and (2) seeking registration as an investment adviser or investment adviser representative.

6. The Illinois Consent Order found that Coleman and Daedalus, while unregistered in Illinois, offered two investment vehicles — a note and an equity portfolio managed by Coleman. The Illinois Consent Order found that Coleman solicited investors in the note with promises that he

would double their money with a 0% probability of loss and that at least four individuals invested more than \$346,000. The Illinois Consent Order also found that Coleman transferred \$50,000 from Daedalus' bank account by check to his own bank account and used the funds to produce a play.

7. Coleman acknowledged and agreed in the Illinois Consent Order that he violated, among other provisions, Sections 12.F, 12.G, 12.J(1) and 12.J(2) of the Illinois Securities Law of 1953. Section 12.F prohibits any person from engaging in any transaction, practice or course of business in connection with the sale of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof. Section 12.G prohibits any person from obtaining money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. Section 12.J prohibits any person when acting as an investment advisor, investment advisor representative, or federal covered investment advisor, by any means or instrumentality, directly or indirectly (1) from employing any device, scheme or artifice to defraud any client or prospective client and (2) from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Coleman's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 203(f) of the Advisers Act, that Respondent Coleman be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Brent J. Fields  
Secretary